Industrial Distribution

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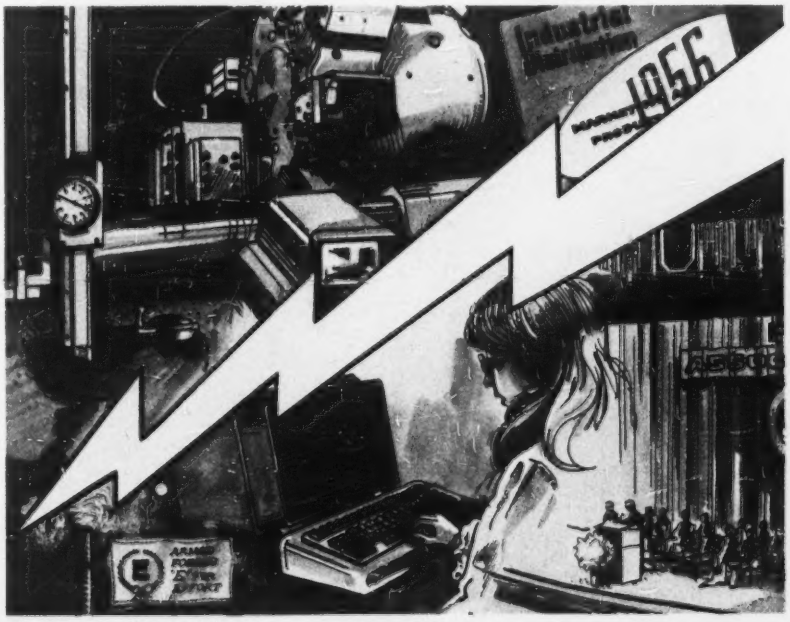

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Indicators...

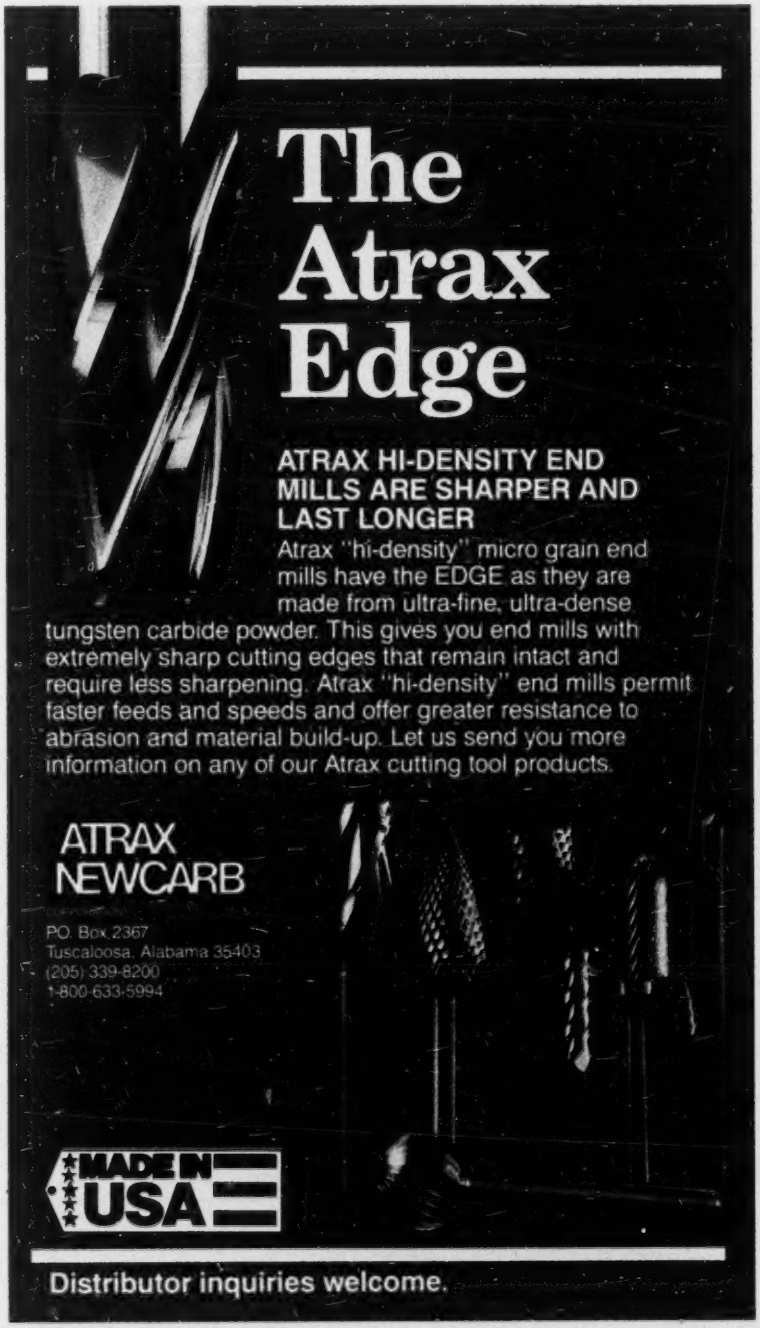
The latest indices of activity by the three leading associations continue to demonstrate a decided lack of direction as one fell, and two advanced marginally. The NIDA/SIDA *Industrial Distribution Index* for the month of March declined from the previous month by 7.4 points to end close at 136.9 on a national basis. Regionally, losses were spread evenly across the board as the East lost 6.3, the Midwest fell 7.1, the West retreated 10.3 and the South dropped 6.6. In a March '86/March '85 comparison, the current national figure is down by 3.8...SIDA's *Monthly Sales Trend Report* for March shows a net increase of 1.62 over February for the entire association with gains in every area but one. Area I comprising NC, VA and WV advanced by 7.45. Area II (FL, GA, SC, Puerto Rico) grew by 4.05 and Area IV (AR, LA, OK, TX) went up 2.77. However SIDA Area III (AL, KY, MS, TN) with a drop of 17.69 skewed the overall results. Comparing March '86 with March '85, the total figure fell by 6.34, once again the victim of Area III which plummeted by 19.89 points from a year ago...the ASMMA *New Order Index* for the month of January advanced 2.4 points to 118.3 over December '85 for a 2.1% increase. The latest figure is lower than 11 of the last 12 preceding months and just 0.1 below the January '85 level...According to the American Machine Tool Distributors' Assn. its *Distributor New Orders* index for February increased 10.7% over the January level, closing at 104.5. Compared with the 89.7 figure for February '85, the current figure represents a healthy increase of 16.5%...the National Assn. of Aluminum Distributors *Quick Pulse Index* of monthly shipments in March increased 0.7 over February for a gain of 0.6%.

this investment, realizing expanded programs and new product developments. The commitment to the U.S. marketplace by AEG is now further backed by a corporation known worldwide for innovation and high standards of quality," said Ahrendt.

According to Daimler-Benz, AEG will maintain its complete independence and there will be no initial changes in management staff.

At the same time AEG Power Tool Corp. announced that, despite a previously planned move to the Chicago area, the company will move into a new sales, and distribution office complex in New London, CT this Fall. □

—Doug Harper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Write in No. 15

BUSINESS REPORT

Mountain states booming

A combination of Federal money for road construction, the demand for products associated with the housing boom, and a revival in some of the coal and copper mines have added up to good times for many distributors in the Mountain states, most especially in Arizona, New Mexico, and Wyoming.

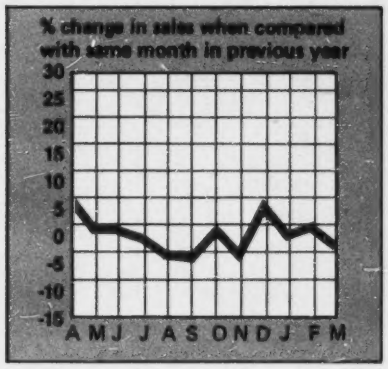
In Arizona, construction of all types are keeping distributors hopping, with Phoenix and Tuscon reporting excellent sales, not only in the area of new home construction but also in the remodelling of existing homes, as low interest rates have spurred many home owners to contract for add-ons and other improvements. Additionally, the copper industry, which has been depressed for the past several years, is slowly returning to life as several copper mines have started production again in the state.

Business is also coming in to some Mountain states from Mexico, which has lost revenue with the fall in oil prices, and is concentrating more on its domestic mining capabilities. Mexican businesses are buying in Arizona and other border states the power transmission products the country needs but does not manufacture.

In New Mexico and Wyoming, the general highway and heavy contractor market is bringing a good deal of business to distributors. Additionally, open pit strip coal mines are going great guns in both states with a heavy demand for conveyors, v-belts and chain among power transmission products, and also-heavy machinery rentals. The drop in oil prices has caused prices to fall for gas and coal, keeping these fuels competitive, and increasing demand.

Colorado, Utah and Montana also report business increases in mining, road and home construction activities.

Business has not fared well in the other regions reporting year-to-year statistics for March. New England was down a sharp 12%, with West North Central and South Atlantic down 8% and 5% respectively. The Mountain region came in with the best gain at 10% with East North Central and Pacific tacking on small gains. —MILT ELLENBOGEN



RECEIVABLES*

	March '86 Gen.	March '86 Spec	March '85 Gen.	March '85 Spec.
New England	47	46	45	46
Middle Atlantic	44	43	48	44
South Atlantic	40	41	38	40
East No. Central	40	45	40	43
East So. Central	43	45	39	37
West No. Central	43	39	42	40
West So. Central	40	43	41	42
Mountain	41	51	38	51
Pacific	40	43	45	40
National	42	43	43	44

* Average days outstanding

SALES BY REGIONS (% change)	Mar '86 vs. Feb.'86 Gen.	Spec.	Both	Mar '86 vs. Mar '85 Gen.	Spec.	Both	1st three months'86 vs. 1st three months'85 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+10	0	+4	−15	−9	−12	−12	−7	−9
Connecticut	—	+2	—	—	−6	—	—	−16	—
Massachusetts	+8	0	+3	−3	−9	−7	−3	−6	−5
MIDDLE ATLANTIC: NY, NJ, PA	−1	+13	+9	−16	+4	−2	−8	+4	0
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	+8	—	—	+12	—	—	+4	—
Pennsylvania	−1	+6	+2	−13	−2	−8	−3	+13	+4
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	+4	+4	+4	−5	−6	−5	−2	−5	−3
Georgia-Florida	−3	0	−1	−1	−6	−5	−2	−6	−5
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	+3	+4	+4	+6	−1	+2	−1	+4	+1
Indiana	—	−1	—	—	−5	—	—	+3	—
Wisconsin	—	+1	—	—	−15	—	—	0	—
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+10	—	—	−2	—	—	−3	—	—
Ohio	+12	—	—	−3	—	—	−6	—	—
EAST SOUTH CENTRAL: AL,MS, KY, TN	−3	+5	−1	−2	−2	−2	+6	+1	+5
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+7	+10	+9	−9	−7	−8	−11	−6	−9
WEST SOUTH CENTRAL: AK, LA,OK, TX	−5	+4	−2	+3	−9	−3	+1	−6	−4
Texas	—	+4	—	—	−9	—	—	−6	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+13	+10	+11	−4	+31	+10	+2	+29	+13
PACIFIC: CA, OR, WA	+12	+13	+12	+3	+5	+3	+2	+2	+2
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	+20	+20	+20	+5	+14	+9	+7	+11	+7
U.S. TOTALS	+5	+7	+6	−1	−1	−1	−2	0	−1

FOCUS ON SERVICES

Auto/truck sales

Although auto/truck sales slackened in the first quarter of '86, special factors in fleet purchasing should continue to favor sales over leasing for the rest of the year.

The hot market for auto/truck sales may have cooled for the time being. Continuing low interest rates have taken a back seat to price increases from abroad (spurred by the falling dollar), with domestic price increases now coming on top of reduced demand. Distributors are also looking at tax revision and other tax legislation and wondering what kind of bills (if any) will be forthcoming. Depreciation allowance and record keeping requirements are the two key items to watch.

In truck sales, minivans and light trucks caught the favor of many small businesses in '85 and sales soared. Low cost, high mileage vehicles did the job for many distributors whose typical delivery size made just the right fit. The sharp drop in fuel costs was an added bonus. But with incentives off, and prices up, light-truck sales fell in the first quarter of '86 for all three auto makers, as well as for imports, although late (April) figures indicate that this market is turning up again while sales of autos (both foreign and domestic) remain sluggish.

The trend in leasing is for leasees to keep their cars longer and for greater mileage as monthly costs per rental continue to increase (see chart). This tends to favor buying over leasing as total monthly costs at reduced interest rates appear favorable to the buyer when compared to leasing costs.

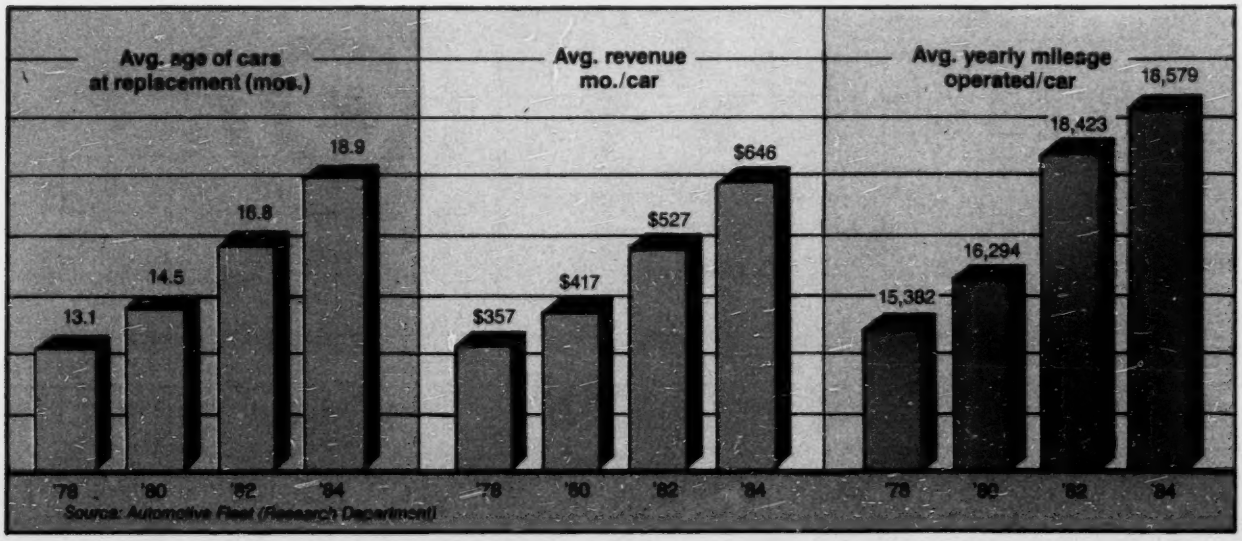
Preferences of experienced buyers may indicate the best buys in types, models and costs. The most dramatic change came in fleet demand for Pontiacs which jumped from 96,984 units in 1984 to 134,508 units in 1985, or from 6.4% of the total market to 8.5%, a gain of 33%. Plymouth suffered the biggest drop, from 6.1% down to 5.1% of total market, or 16.4%. Buicks and Fords were unchanged, Cadillacs down 13%, Chevrolets up 8%. Ford was the most popular choice having the largest market share at 21.3%; American Motors the least popular, 2%.

In light trucks, Dodge and Plymouth constitute the lion share of the market at 17.6%, up over 65% in 1985 from its 1984 market figure. Toyota is a close second at 16.3%, down 1% from last year. GM and Chevrolet are tied at 14.4% of the market, with American Isuzu losing a lot of ground, falling from 25.6% of the market in 1984 to 12.3% in 1985, or more than 50%.

Although car purchases are gaining with smaller fleet owners, the large fleets still predominantly prefer rentals. According to *Automotive Fleet*, as of the beginning of this year, businesses with 25 or more cars leased a total of 2,150,000 cars compared to 226,000 that are company owned, and 348,000 that are employee owned. However, businesses with 10 to 24 cars leased 308,000, with another 155,000 being company owned and some 300,000 employee owned.

In truck statistics (Class I, II and III combined), businesses with 25 or more light trucks leased 624,000 units while 260,000 were owned outright. Here the smaller fleets tended to follow the same pattern, as businesses with 10 to 24 light trucks leased 168,000 units with another 87,000 owned by businesses.□

Milt Ellenbogen
Managing editor



ID's QUARTERLY INFLATION INDEX

For the first quarter of 1986 the *Silver/ID Price Index* rose at an annualized rate of 3.27%. But because many vendors raise their prices in the first quarter of the calendar year, the actual annual inflation is usually substantially less. The actual annual inflation rate in the last four years has averaged about 60% of the annualized rate for the first quarter. Based on this experience, it would therefore seem likely that the actual inflation rate for our index for 1986 will be about 2%—which is what it was for the calendar year 1985.

However, the substantial drop in the price of oil in the first quarter has yet to register on industrial prices. As it impacts industrial prices it is bound to reduce the inflation rate. The actual inflation rate for this calendar year is thus likely to be 1% or less—the lowest rate since the recession year of 1982.

Our indexs goes back to 1979. Its rise since the end of 1978 is 31.08%. The rise for the *NIDA/SIDA Index* for the same period is 32.71%□

Compiled by Alan Silver Associates, Inc., Highland Park, NJ

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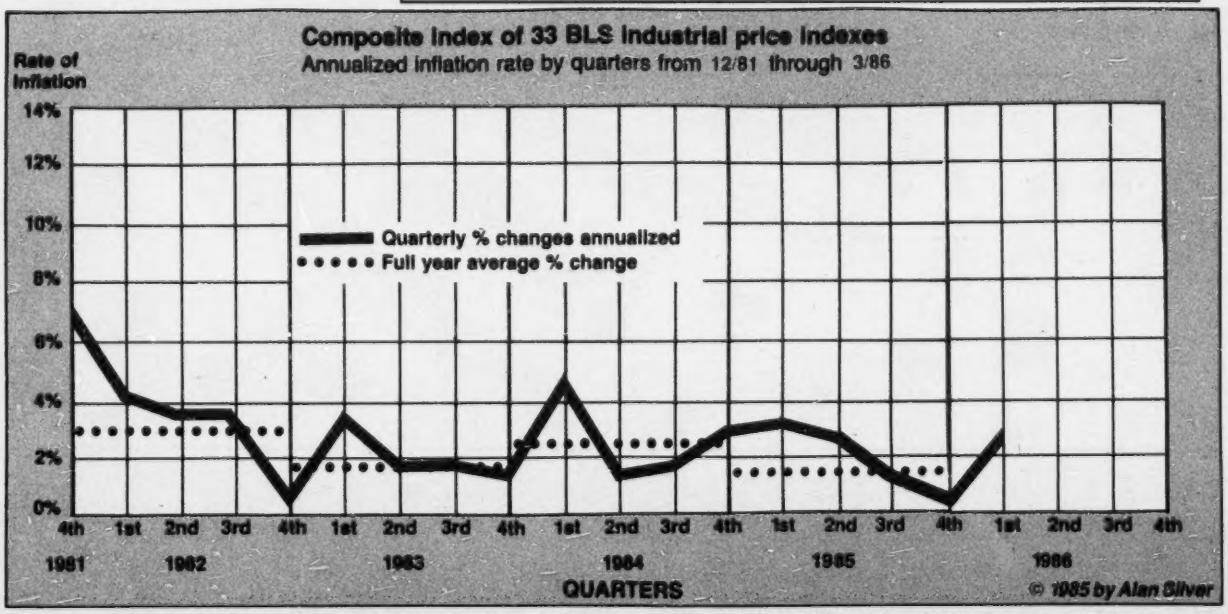
Table 1—Comparing inflation indexes

	Current qtr	*BLS inflation rates(%) Year-to-date		
	3/86 vs 12/85 annualized	3/86 vs 12/85 annualized	3/86 vs 3/85	12/85 vs 12/84
Silver/ID index of 33 industrial products groups	3.27%	3.27%	1.53%	0.98%
NIDA/SIDA index of 10 industrial product groups	2.04%	2.04%	0.88%	1.75%
**PPI index of industrial commodities	-13.76%	-13.76%	-2.67%	0.68%
Average of above indexes	-2.82%	-2.82%	-0.09%	1.14%
**PPI index of finished goods (indl/agric)	-11.56%	-11.56%	-1.33%	1.64%
Silver/Wholesaler index of 13 lines (plmbg/htng	3.66%	3.66%	2.58%	2.63%
Electrical Marketing index of 24 product groups	4.64%	4.64%	1.65%	0.80%
***NAED inflation index: 16 product groups	N/A	N/A	N/A	4.78%
Consumer Price Index	-1.72%	-1.72%	2.24%	3.77%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on Bls unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column 9 of figures will be current year-to-date annualized. Upcoming reports will follow the above format.


Composite Index of 33 BLS Industrial price indexes
Annualized inflation rate by quarters from 12/81 through 3/86
Rate of Inflation
14%
12%
10%
8%
6%
4%
2%
0%
Quarterly % changes annualized
Full year average % change
4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th
1981 1982 1983 1984 1985 1986
QUARTERS
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ID's QUARTERLY INFLATION INDEX

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	Current qtr. 3/86	Previous qtr. 12/85	% inflation current qtr.	Current qtr. annualized %	Year-to-date 3/86 vs 12/85 %	Year-to-date 3/86vs 12/85 annualized %	Last 12 months	4th qtr. 86	4th qtr. 84	Annual inflation 86 %
*Industrial oil	102.3	98.3	4.07	16.28	4.07	16.28	–	98.3	372.7	–
Prepared paint	280.0	278.4	0.57	2.28	0.57	2.28	0.11	278.4	277.3	0.40
*Rubber belts & belting	337.5	336.4	0.33	1.32	0.33	1.32	-4.66	336.4	344.5	-2.35
Other misc. rubber products	304.8	299.5	1.77	7.08	1.77	7.08	0.59	299.5	304.3	-1.58
Plastic construction products	159.2	155.8	2.18	8.72	2.18	8.72	-0.13	155.8	168.8	-7.70
Semi-finished steel products	367.0	369.8	-0.59	-2.36	-0.59	-2.36	-1.26	369.8	373.0	-0.86
Wire & cable	206.5	205.3	0.58	2.32	0.58	2.32	1.62	205.3	201.2	2.04
*Electric wire & cable	103.4	103.5	-0.10	-0.40	-0.10	-0.40	0.10	103.5	103.6	-0.10
*Building wire & cable	102.2	99.4	2.82	11.28	2.82	11.28	4.82	99.4	97.8	1.64
Builders hardware	312.7	311.3	0.45	1.80	0.45	1.80	1.33	311.3	302.8	2.81
*Hand tools	382.2	378.5	0.98	3.92	0.98	3.92	2.88	378.5	365.5	3.56
*Misc. metal products	303.5	302.4	0.40	1.60	0.40	1.60	0.56	302.4	301.6	0.27
[1]Industrial safety equipment	148.5	144.6	2.70	10.80	2.70	10.80	2.56	144.6	139.5	3.58
*Bolts, nuts, screws & rivets (fasteners)	275.4	276.1	-0.25	-1.00	-0.25	-1.00	-0.89	276.1	280.0	-1.39
*Power-driven hand tools	235.9	235.1	0.34	1.36	0.34	1.36	1.29	235.1	226.6	3.75
Welding machines & eq.	299.2	297.1	0.71	2.84	0.71	2.84	4.51	297.1	285.1	4.21
*Cutting tools & accessories	289.8	287.4	0.84	3.36	0.84	3.36	1.44	287.4	283.3	1.45
Precision measuring tools	266.3	265.1	1.21	4.84	1.21	4.84	2.56	265.1	254.9	4.00
*Abrasive products	313.2	313.6	-0.13	-0.52	-0.13	-0.52	0.55	313.6	308.1	1.79
Metal cutting machine tools	399.1	395.1	1.01	4.04	1.01	4.04	0.31	395.1	394.7	0.10
Metal forming machine tools	436.4	437.2	-0.27	-1.08	-0.27	-1.08	1.27	437.2	428.7	1.98
Pumps, compressors & eq.	357.9	359.5	-0.45	-1.80	-0.45	-1.80	0.59	359.5	352.2	2.07
Fluid power eq	266.7	265.6	0.41	1.64	0.41	1.64	1.41	265.6	261.8	1.45
*Industrial material handling eq.	298.3	296.0	-0.24	-0.96	-0.24	-0.96	0.44	296.0	292.2	1.30
*Mechanical power transmission eq.	342.2	339.0	0.94	3.76	0.94	3.76	2.06	339.0	330.8	2.48
[2]*Metal valves, (except fluid power)	106.2	105.3	0.85	3.40	0.85	3.40	1.62	105.3	102.8	2.43
[2]*Metal pipe fittings	111.6	109.6	2.01	8.04	2.01	8.04	2.38	109.6	109.0	0.55
Ball & roller bearings	354.2	353.2	0.28	1.12	0.28	1.12	1.99	353.2	344.5	2.53
[4]Plain bearings	101.1	101.1	0.00	0.00	0.00	0.00	0.50	101.1	282.2	–
Wiring devices	372.7	364.2	2.33	9.32	2.33	9.32	3.44	364.2	362.0	0.61
Integrating & Measuring Instruments	234.8	232.7	0.90	3.60	0.90	3.60	1.91	232.7	230.8	0.82
*Electric motors	107.8	108.4	-0.55	-2.20	-0.55	-2.20	-0.65	108.4	105.3	2.94
*Generators & generator sets	107.9	107.5	0.37	1.48	0.37	1.48	4.66	107.5	102.8	4.57
*NIDA/SIDA composite	313.4	311.8	0.51	2.04	0.51	2.04	0.89	311.8	306.5	1.76
Silver/ID composite	303.9	301.4	0.82	3.27	0.82	3.27	1.28	301.4	297.3	1.41

*Included in NIDA/SIDA composite

[1] 6/78 = 100 [2] 12/82 = 100 [3] 6/83 = 100 [4] 12/84 = 100 [5] 6/85 = 100

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